

TORONTO STOCK EXCHANGE

LISTING STATEMENT

CRESTBROOK TIMBER LIMITED

(Incorporated under the laws of British Columbia by Certificate of Incorporation dated November 22, 1955)

5½% CUMULATIVE REDEEMABLE PREFERRED SHARES,
PAR VALUE \$50.00 PER SHARE

394,385 COMMON SHARES, WITHOUT NOMINAL OR PAR VALUE

Certificates interchangeably transferable in Toronto and Vancouver.

CAPITAL SECURITIES AS AT MAY 11th, 1956

	Authorized	Issued and Outstanding	To be Listed
First Mortgage Bonds	unlimited		
5% First Mortgage Sinking Fund Bonds, Series A.....		\$1,100,000	nil
Preferred shares, par value \$50.00 each.....	30,000 shares	16,000 shares	16,000 shares
Common shares without nominal or par value.....	600,000 shares	394,385 shares*	394,385 shares*

*Additional common shares may be issued from time to time after July 15th, 1956, as the share purchase warrants to be outstanding after said date are exercised. Share purchase warrants entitling the holders thereof to purchase in the aggregate 84,000 common shares of the Company will be issued as set out in the prospectus attached hereto.

AUG 21 1956

Vancouver, B.C.,
May 31st, 1956.

1. APPLICATION

Crestbrook Timber Limited (hereinafter sometimes called the "Company") hereby makes application for listing on the Toronto Stock Exchange of 16,000 5½% Cumulative Redeemable Preferred Shares of the par value of \$50.00 each and 394,385 common shares without nominal or par value, all of which are issued and outstanding as fully paid and non-assessable.

2. REFERENCE TO PROSPECTUS

Reference is made to the attached Prospectus issued by the Company under the date April 12, 1956, in respect of the sale by the Company to underwriters therein named of 16,000 5½% Cumulative Redeemable Preferred Shares, a copy of which Prospectus is hereby incorporated herein and made a part hereof.

3. OPINION OF COUNSEL

Messrs. Lawrence, Shaw, McFarlane & Stewart, 1111 Georgia Street West, Vancouver, British Columbia, counsel for the Company have filed in support of this application an opinion stating among other things that (i) the Company has been duly incorporated and is a valid and subsisting company in good standing under the laws of the Province of British Columbia; (ii) 16,000 5½% Cumulative Redeemable Preferred Shares and 394,385 common shares of the capital of the Company have been duly issued and are outstanding as fully paid and non-assessable shares of the Company. Meredith M. McFarlane who is Secretary of the Company, is a partner of the firm of Messrs. Lawrence, Shaw, McFarlane & Stewart.

4. LISTING ON OTHER STOCK EXCHANGES

The Company is making a concurrent application for listing of the above securities of the Company on the Vancouver Stock Exchange.

5. STATUS UNDER SECURITIES ACTS

The offering of the securities referred to herein to the public on the basis set forth in the Prospectuses which are attached hereto has been approved in all Provinces of Canada except Newfoundland.

This listing statement is a copy of the listing application made by the applicant company. The Exchange has received no consideration in connection with the issue of this listing statement other than the customary listing fee. The papers and exhibits submitted by the applicant company in support of the listing application are open for inspection at the general office of the Exchange.

6.

FISCAL YEAR

The fiscal year of the Company ends on December 31 in each year.

7.

ANNUAL MEETING

Under the Articles of Association of the Company the first annual general meeting of the Company is to be held within eighteen months from the date of incorporation, and thereafter an annual general meeting is to be held once in every calendar year at such time (not being more than fifteen months after the holding of the last preceding annual general meeting) and place as may be prescribed by the Company in general meeting. As the Company was incorporated on November 22, 1955, no annual meeting has been held to date.

8.

HEAD OFFICE

The head office of the Company is Suite 402, 1111 Georgia Street West, Vancouver, British Columbia.

9.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the 5½% Cumulative Redeemable Preferred Shares and the common shares of the Company is Montreal Trust Company at the Cities of Toronto and Vancouver.

10.

TRANSFER FEE

No fee is charged on the transfer of the 5½% Cumulative Redeemable Preferred Shares or on the common shares of the Company, other than stock transfer taxes.

11.

AUDITORS

The auditors of the Company are Messrs. Campbell, Shankland & Co., 41 Baker Street, Cranbrook, British Columbia.

12.

DIRECTORS

James Michael Brown, Jr.	605-2nd Street, Sandpoint, Idaho, U.S.A.	Lumberman
Victor Carlyle Brown	408-14th Avenue, Cranbrook, B.C.	Lumberman
Chester Chastek	516 Sumner, Spokane, Washington, U.S.A.	Attorney at Law
Paul Emerson Cooper	1386 Nicola Street, Vancouver, B.C.	Executive
Alfred Oil Farstad	116 Long Avenue, Creston, B.C.	Lumberman
Carl Inman Hall	4616 West 2nd Avenue, Vancouver, B.C.	Investment Dealer
George William O'Brien	1742 West 40th Avenue, Vancouver, B.C.	Executive

13.

OFFICERS

James Michael Brown, Jr.	605-2nd Street, Sandpoint, Idaho, U.S.A.	President and Managing Director
Victor Carlyle Brown	408-14th Avenue, Cranbrook, B.C.	Vice-President
Meredith Milner McFarlane	6490 Cedarhurst, Vancouver, B.C.	Secretary

14.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors the applicant Company hereby applies for listing on the Toronto Stock Exchange and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

CRESTBROOK TIMBER LIMITED

"V. C. BROWN," Vice-President

"M. M. McFARLANE," Secretary.

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

Distribution of preferred stock as of July 26, 1956

Number	Shares
417 holders of 1 — 100 share lots.....	10,989
8 " " 101 — 200 " "	1,253
1 " " 201 — 300 " "	265
Nil " " 301 — 400 " "	Nil
1 " " 401 — 500 " "	500
2 " " 501 — 1000 " "	1,218
1 " " 1001 — up " "	1,775
430 Stockholders	Total shares 16,000

Distribution of Common stock as of July 26, 1956

322 holders of 1 — 100 share lots.....	24,283
108 " " 101 — 200 " "	20,915
33 " " 201 — 300 " "	9,770
12 " " 301 — 400 " "	4,702
25 " " 401 — 500 " "	12,311
14 " " 501 — 1000 " "	11,575
25 " " 1001 — up " "	310,829
539 Stockholders	Total shares 394,385

This Prospectus is not, and under no circumstances is to be construed as, a public offering of these shares for sale in the United States of America or in the territories or possessions thereof.

New Issue

\$800,000

(16,000 Preferred Shares)

Crestbrook Timber Limited

(Incorporated under the laws of British Columbia)

5½% Cumulative Redeemable Preferred Shares Par Value \$50.00 Per Share

These 5½% Cumulative Redeemable Preferred Shares (hereinafter sometimes called "preferred shares") are to be fully paid and non-assessable; preferred as to dividends and as to capital; entitled to fixed cumulative preferential cash dividends as and when declared by the Company or the board of directors at the rate of 5½% per annum upon the par value thereof payable quarterly on the 15th days of March, June, September and December in each year by cheque at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted); entitled on liquidation, dissolution, winding-up or other distribution of assets for the purpose of winding-up to receive \$50 per share together with all unpaid and accrued dividends thereon and if such liquidation, dissolution, winding-up or other distribution be voluntary an additional amount of \$2.50 per share, in priority to the common shares or shares of any other class ranking junior to the preferred shares; the preferred shares are to be redeemable in whole at any time or in part from time to time on at least 30 days' notice at \$52.50 per share together with all unpaid and accrued dividends thereon. The Company is to be entitled to purchase the preferred shares for cancellation at any time in the market or pursuant to tenders addressed to all holders of record of such shares outstanding at prices not exceeding \$52.50 per share plus costs of purchase and all unpaid and accrued dividends thereon.

Sinking Fund

So long as any of the preferred shares are outstanding the Company is to allocate as a sinking fund (to be used for the purchase of preferred shares for cancellation) on or before July 1 in each year commencing with the year 1957 an amount equal to the greater of (i) 2% of the aggregate par value of the greatest number of all the 5½% Cumulative Redeemable Preferred Shares theretofore issued or (ii) 5% of the consolidated net earnings (as defined) of the Company and its subsidiaries for the last preceding fiscal year.

The full particulars concerning the preferred shares appear in the Statutory Information forming part of this prospectus.

Share Purchase Warrants

The preferred shares when originally issued in definitive form will carry Share Purchase Warrants entitling the holders thereof, at any time from and after July 15, 1956 and up to and including March 15, 1962, to purchase common shares in the capital stock of the Company at the rate of 2 such common shares for each preferred share at a price of \$6.00 per share up to and including March 15, 1959 and thereafter at \$7.50 per share. Share Purchase Warrants may not be detached from the preferred shares until July 15, 1956 and will expire at 4:00 o'clock in the afternoon, Eastern Standard Time, on March 15, 1962. Further particulars concerning the Share Purchase Warrants are more fully given herein.

Transfer Agent and Registrar

Montreal Trust Company: Vancouver and Toronto

We, as principals, offer these 5½% Cumulative Redeemable Preferred Shares subject to prior sale or change in price, if, as, and when issued by Crestbrook Timber Limited and accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. Lawrence, Shaw, McFarlane & Stewart, Vancouver, B.C., and on our behalf by Messrs. McCarthy & McCarthy, Toronto, Ontario, who will rely on the opinion of Messrs. Lawrence, Shaw, McFarlane & Stewart as to all matters of the laws of the Province of British Columbia.

PRICE: \$50.00 per share

Subscriptions will be received subject to rejection or acceptance in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that preferred share certificates, in interim form, later exchangeable without expense for definitive preferred share certificates, with Share Purchase Warrants attached, will be available on or about April 24, 1956.

A copy of this Prospectus has been filed with the Registrar of Companies, Victoria, B.C.

Letterhead of
CRESTBROOK TIMBER LIMITED

Cranbrook, B. C.
April 10, 1956.

HALL SECURITIES LIMITED,
Vancouver, B.C.,

WALWYN, FISHER & Co.,
Toronto, Ontario

Dear Sirs:

With reference to the proposed issue of \$1,100,000 aggregate principal amount of 5% First Mortgage Sinking Fund Bonds Series A (hereinafter called the "Series A Bonds"), 16,000 5½% Cumulative Redeemable Preferred Shares (hereinafter called the "preferred shares") and 210,000 common shares of Crestbrook Timber Limited (hereinafter called the "Company"), I am pleased to submit the following information with respect to the Company.

The Company

The Company was incorporated under the provisions of the Companies Act (British Columbia) on November 22, 1955 and now proposes to acquire all the assets, but subject to certain liabilities, and the undertakings and businesses as going concerns from the close of business on December 31, 1955, of Cranbrook Sash and Door Company Limited (except the shares owned by Cranbrook Sash and Door Company Limited in Columbia Contracting Company Limited and George McInnes Ltd.,) and of its two subsidiaries Columbia Contracting Company Limited and George McInnes Ltd. (the said companies being hereinafter collectively referred to as the "vendor companies"). The Company also proposes to acquire all the issued and outstanding shares of Cranbrook Sawmills Ltd.

Upon completion of the acquisition of the businesses and assets referred to and upon acquisition of the shares of Cranbrook Sawmills Ltd. the Company will own or control three stationary sawmills, four portable sawmills, three planing mills, a townsite, a number of logging camps and will be, directly and through Cranbrook Sawmills Ltd., the largest holder of standing timber in the East Kootenay area of British Columbia.

Consolidation of the logging and lumbering operations of the vendor companies and of Cranbrook Sawmills Ltd. will permit integration of operation, adoption of tested production practices and standardization of procedures which should produce operating economies, increased production and higher standard of products.

Properties

The properties to be acquired by the Company from the vendor companies and through acquisition of all the outstanding shares of Cranbrook Sawmills Ltd. will comprise a fully integrated logging and lumber producing operation.

The sawmills to be operated by the Company, either directly or through Cranbrook Sawmills Ltd., are located at Mineral Lake, approximately 13 miles south of Cranbrook, B.C.; at St. Mary Lake, approximately 20 miles west of Cranbrook; at Parson, B.C., and in the area of Canal Flats, B.C.

Based on 1955 results the potential rate of production of the properties at Mineral Lake and Canal Flats is about 15,000,000 feet board measure each, of the property at St. Mary Lake is about 7,000,000 feet board measure and of the property at Parson is about 13,000,000 feet board measure. This latter operation has not as yet attained its full production.

The townsite includes a hotel, thirteen houses, a store, office buildings, nine bunkhouses and a number of garages and miscellaneous structures.

The sawmills and planing mills, together with machinery and equipment, logging camps, logging machinery, etc. will be carried on the books of the Company at a cost of \$1,283,181. C. D. Schultz & Co. Ltd., a leading firm of forestry engineers and appraisers, have made an appraisal of such assets and have determined the depreciated market value thereof to be \$1,805,118.

Timber

The Company directly and through Cranbrook Sawmills Ltd. will own freehold timber in excess of 160,000,000 feet board measure and will hold cutting rights on a further 140,000,000 feet board measure. This very satisfactory timber supply, together with access roads, bridges, etc. has been estimated by C. D. Schultz & Co. Ltd. to have a value in excess of \$1,700,000. The normal share which the Company may expect of future timber potential from Crown Land in the area, out of an estimated available supply of close to 3,000,000,000 feet board measure, is estimated to be about 600,000,000 feet board measure, excluding timber in the sphere of the sawmill operation at Parson, B.C. In the latter area Cranbrook Sawmills Ltd. holds a Forest Management Licence which assures a perpetual supply of timber at the rate of 14,500,000 feet board measure per annum.

The timber holdings which will be owned by the Company and Cranbrook Sawmills Ltd. will provide an adequate basis for operation of the Company's mills for many years.

Operations

The timber to be acquired by the Company is located in an area which has not been developed to its fullest extent due to the availability of timber in the lower valleys of Idaho, Montana, Oregon and Washington. As a result of rapid over-cutting of both private and public timber in these areas and on the Pacific slopes of the Cascades in both the United States and Canada, a shortage in the available stands of timber has developed. Attention is now turning towards the large stands of matured timber in the Kootenay and Columbia drainage basins where the Company, either directly or through Cranbrook Sawmills Ltd., will conduct its operations. The Company intends to expand the operations carried on by the vendor companies and Cranbrook Sawmills Ltd. and to pursue a policy of harvesting that will insure a continuing supply of timber for the future. The Company also intends within the next two years to investigate the advisability of constructing a hardboard plant or other plant to utilize current wood waste in the manufacture of marketable products and thus increase recovery from the log.

Markets

The products of the Company and of Cranbrook Sawmills Ltd. will be marketed in the Prairie Provinces and eastern Canada through the Company's own sales organization and in the United States through Pack River Tree Farm Products, Spokane, Wa., U.S.A. operating under a sales contract. This latter firm has successfully developed marketing methods for a number of lumber manufacturing plants and the Company expects to benefit from the market research and analysis carried on by this company and from its advice with respect to sawing of different species for the most profitable operation.

Management

The officers and directors of the Company are

J. M. BROWN, JR.— <i>President and Managing Director</i>	GEORGE W. O'BRIEN— <i>Director</i>
VICTOR C. BROWN— <i>Vice-President and Director</i>	CHESTER CHASTEK— <i>Director</i>
A. O. FARSTAD— <i>Director</i>	CARL I. HALL— <i>Director</i>
PAUL E. COOPER— <i>Director</i>	M. M. MCFARLANE— <i>Secretary</i>

James M. Brown, Jr. is the fourth generation of timber and mill operators who operated successfully in Nova Scotia, Maine, Wisconsin and finally in Spokane and the inland empire. He owns and operates 4 sawmills in Idaho, Montana and British Columbia, and a few months ago completed construction of a \$1,000,000 plant for production of particle or hardboard for the utilization of waste products. He and his brother L. V. Brown, who also owns and operates sawmills, together market all of their production through Pack River Tree Farm Products, Spokane, Wa., U.S.A.

Victor C. Brown (no relation of Mr. J. M. Brown, Jr.) is the present general manager and secretary-treasurer of Cranbrook Sash and Door Company Limited and has been acting in that capacity for nearly 10 years. He was president of the Interior Lumber Manufacturers Association for two terms from 1951 to 1953 and is still a director of that Association.

A. O. Farstad has been the president and is one of the largest shareholders of Cranbrook Sawmills Ltd. He is president of Mountain Finance Co. Ltd., director of a number of other companies, and a past director of the Interior Lumber Manufacturers Association.

Paul E. Cooper of Vancouver was president of Pacific Mills Ltd. and Elk Falls Co. Ltd., and became president of Crown Zellerbach (Canada) Ltd. when the name of Pacific Mills Ltd. was changed to the latter. He retired as president of Crown Zellerbach one year ago but continues as a director of that company and a consultant to the management.

George W. O'Brien of Vancouver is senior vice-president and a director of Powell River Company Limited and president of Northwest Cedar Products Limited and has been associated with the logging and lumber industry in British Columbia for many years.

Chester Chastek, attorney at law, is a member of the legal firm of Davis, Trezona, Chastek and Lorenz, Spokane, Wa., U.S.A. and is also a director and officer of several Washington corporations.

Carl I. Hall is vice-president of Hall Securities Limited, president of Hall Company Limited and a director of a number of other companies.

M. M. McFarlane is a barrister, member of the legal firm of Lawrence, Shaw, McFarlane & Stewart, Vancouver, B.C.

Capitalization

(Upon completion of present financing)

	<u>Authorized</u> (1)	<u>Issued</u>
First Mortgage Bonds		
5% First Mortgage Sinking Fund Bonds Series A due March 15, 1971		\$1,100,000
5½% Cumulative Redeemable Preferred Shares par value \$50.00	30,000 shs.	16,000 shs.
Common Shares, no par value	600,000 shs. (2)	394,385 shs.

NOTES: (1) The authorized aggregate principal amount of the First Mortgage Bonds which may be issued at any time in one or more series is unlimited but First Mortgage Bonds in addition to the \$1,100,000 aggregate principal amount of 5% First Mortgage Sinking Fund Bonds Series A presently being issued may only be issued subject to the restrictions to be contained in the trust deed under which such 5% First Mortgage Sinking Fund Bonds Series A will be issued, to which reference is made in the section hereunder headed "Certain Provisions Of The Trust Deed".

(2) of which 84,000 shares will be reserved for issuance upon the exercise of Share Purchase Warrants which will be outstanding.

Purpose of Issue

The net proceeds of the sale of \$1,100,000 5% First Mortgage Sinking Fund Series A Bonds, the 16,000 5½% Cumulative Redeemable Preferred Shares and the 210,000 common shares, which amount to approximately \$2,691,500 after the deduction of expenses incidental thereto, will be applied in the amount of approximately \$2,430,860, together with 40,000 common shares of the Company, to the purchase of the assets of Cranbrook Sash and Door Company Limited, except the shares owned by Cranbrook Sash and Door Company Limited in Columbia Contracting Company Limited and George McInnes Limited, and of its subsidiaries Columbia Contracting Company Limited and George McInnes Limited, and the balance of such net proceeds will be used for general corporate purposes. The Company will also assume, in connection with the said purchase of assets, liabilities totalling \$342,021.81. All the issued and outstanding shares of Cranbrook Sawmills Ltd. are being acquired by the Company in consideration of the issue by the Company of 144,375 common shares of the Company.

Assets Securing the Bonds

As disclosed by the subjoined pro forma consolidated balance sheet, the net tangible assets of the Company and its subsidiary will amount to approximately \$3,285 per \$1,000 principal amount of 5% First Mortgage Sinking Fund Bonds Series A to be outstanding.

Certain Provisions of the Trust Deed

Security

The Company proposes to issue \$1,100,000 principal amount of 5% First Mortgage Sinking Fund Bond Series A (hereinafter called the "Series A Bonds") which are to be issued pursuant to a deed of trust and mortgage (hereinafter called the "trust deed") to be dated as of March 15, 1956 and to be made by the Company and Cranbrook Sawmills Ltd. in favour of National Trust Company, Limited (hereinafter sometimes referred to as the "Trustee"), as Trustee. The Series A Bonds are in the opinion of counsel to be direct obligations of the Company secured by:

- (1) subject to certain minor encumbrances to be set out in the trust deed which in the opinion of counsel will not materially impair the use of the property for the purposes for which it is held by the Company or Cranbrook Sawmills Ltd. or materially affect the security for the Bonds, a first fixed and specific mortgage, pledge and charge of and upon all real, immoveable and leasehold property, all fixed machinery, plant, fixed equipment and other fixed assets, logging equipment, timber holdings and rights, now owned by the Company and by Cranbrook Sawmills Ltd., and all the issued and outstanding shares of Cranbrook Sawmills Ltd., and
- (2) a first floating charge under the laws of the Province of British Columbia upon all other present and future property and assets of the Company and of Cranbrook Sawmills Ltd. and upon their respective undertakings.

The first fixed and specific mortgage, pledge and charge above mentioned is to be expressed in the trust deed to be applicable to all real and immoveable property hereafter acquired by the Company, and its said subsidiary.

Additional Bonds

The trust deed is to contain provisions permitting the issuance (subject as hereinafter provided) from time to time of additional Bonds (herein called "Additional Bonds") thereunder to an aggregate principal amount equal to $66\frac{2}{3}\%$ of the cost or fair value (to be determined in the manner to be provided in the trust deed), whichever is less, of additional property (as to be defined in the trust deed) acquired by the Company or any wholly-owned subsidiary by purchase, construction or otherwise subsequent to May 1, 1956 and $66\frac{2}{3}\%$ of the cost or fair value, whichever is less, of property (as to be defined in the trust deed) of any company or corporation which becomes a wholly-owned subsidiary of the Company subsequent to May 1, 1956 provided that such additional property and such property are subjected to a first fixed and specific mortgage, pledge or charge as security for the Bonds. Said Additional Bonds will rank equally and rateably with the Series A Bonds save only as to sinking fund provisions applicable to different issues and the principal of, premium (if any) and interest on such Additional Bonds may be payable in such currency or currencies as may be determined by the Company at the time of issue thereof.

Certain Covenants

The trust deed is to contain covenants among others which will provide in effect that so long as any of the Series A Bonds remain outstanding:

1. The Company will not issue any Additional Bonds under the trust deed or issue or become liable on or permit any subsidiary to issue or become liable on any other funded obligations unless
 - (i) the consolidated net tangible assets of the Company and its subsidiaries shall be equal to at least $33\frac{1}{3}\%$ of the principal amount of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be, and
 - (ii) the consolidated net earnings of the Company and its subsidiaries for the last completed fiscal year next preceding such issue or next preceding the Company or a subsidiary so becoming liable as the case may be shall have been at least equal to three times the aggregate annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be;
2. No Additional Bonds or other funded obligations of the Company will be issued under the trust deed or otherwise having a maturity date prior to March 15, 1971 other than Bonds or other obligations maturing serially;
3. The aggregate amount payable by way of serial maturities and/or mandatory sinking fund payments (which in the case of a sinking fund payment to retire a specified principal amount shall for the purpose of this Clause 3 be deemed to be the principal amount so to be retired) in any year in respect of the funded obligations of any issue of the Company shall not be greater than 7% of the aggregate principal amount issued of the funded obligations of such issue unless the annual mandatory sinking fund payments in respect of the Series A Bonds are increased so as to insure that the proportion which the aggregate amount payable by way of serial maturities and/or mandatory sinking fund payments in such year in respect of the Series A Bonds bears to the aggregate principal amount of the Series A Bonds issued shall not be less than the proportion which the aggregate amount payable by way of serial maturities and/or mandatory sinking fund payments in such year in respect of the funded obligations of such first mentioned issue bears to the aggregate principal amount issue of the funded obligations of such issue.
4. The Company will not
 - (a) declare or pay any dividend (other than in shares in the Company's capital) on the Common shares in the capital of the Company unless immediately after giving effect to the payment of such dividend the consolidated net current assets of the Company and its subsidiaries shall be at least equal to \$600,000, or
 - (b) declare or pay any dividend (other than in shares in the Company's capital) on the Preferred shares in the capital of the Company unless immediately after giving effect to the payment of such dividend the consolidated net current assets of the Company and its subsidiaries shall be at least equal to \$500,000.

5. Neither the Company nor any subsidiary

- (a) will sell or transfer any immovable plant or equipment to a third party and then or thereafter rent or lease such immovable plant or equipment at a rental whereby
 - (i) as part or all of the rental or other consideration paid for such lease, the cost or value of such immovable plant or equipment to such third party is directly or indirectly repaid with interest over the initial term of such lease, or
 - (ii) the Company and/or any subsidiary receive title to such immovable plant or equipment at the termination of such lease by lapse of time or prior to such termination have the option to purchase such immovable plant or equipment at said cost or value less rental payments made by the Company or such subsidiary
- (b) will lease any immovable plant or equipment from any third party on rental terms whereby either
 - (i) as part or all of the rental or other consideration paid for such lease, the cost or value of such fixed asset to the third party is directly or indirectly repaid with interest over the initial term of such lease, or
 - (ii) the Company and/or any subsidiary receive title to such fixed plant or equipment at the termination of such lease by lapse of time or prior to such termination have the option to purchase such immovable plant or equipment at such cost or value less rental payments made by the Company or such subsidiary.

6. The Company will not prepay any of the Series A Bonds in whole or in part prior to March 15, 1963 as a part of a refunding, or anticipated refunding operation, by the application directly or indirectly of moneys borrowed on indebtedness which shall mature more than one year from the creation thereof and which shall have either an interest rate or an interest cost to the Company (calculated in accordance with accepted financing practice) of less than 5% per annum.

The foregoing Clauses 2 to 6 shall not apply to nor operate to prevent

- (i) the assuming or giving of purchase money mortgages or other purchase money liens on property acquired by the Company or by any subsidiary after May 1, 1956 up to but not exceeding 66⅔% of the cost of the property so acquired; or
- (ii) the acquiring by the Company or any subsidiary of property subject to any mortgage, lien, charge or encumbrance thereon at the time of such acquisition; or
- (iii) the extension, renewal or refunding of any mortgage, lien, charge or encumbrance permitted under subdivision (i) to (ii) hereof to the extent of the principal amount of the indebtedness secured by and owing under any such mortgage, lien, charge or encumbrance at the time of such extension, renewal or refunding.

Cranbrook Sawmills Ltd. is, among other things, to guarantee unconditionally payment of the principal of and premium, if any, and interest on the Bonds from time to time outstanding under the trust deed.

The trust deed will contain definitions among others of the following terms—"funded obligations", "consolidated funded obligations", "consolidated net earnings", "consolidated net tangible assets", "consolidated net current assets" and "subsidiary."

Sinking Fund for Series A Bonds

The Company will covenant in the trust deed under which the Series A Bonds will be issued to pay to the Trustee as and by way of a sinking fund for the retirement of the Series A Bonds amounts sufficient to retire \$75,000 principal amount of said Series A Bonds on March 15 in each of the years 1957 to 1970 inclusive. The Company will have the right to purchase Series A Bonds in the market or by private contract at prices not exceeding the redemption price in effect at the time of purchase in respect of Series A Bonds if redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase. All Series A Bonds purchased or redeemed (except Series A Bonds purchased or redeemed out of sinking fund moneys) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which at the election of the Company may be applied (to the extent not theretofore applied) in amounts of \$500 and multiples thereof in satisfaction in whole or in part of required sinking fund payments payable thereafter. The Company may elect on or before February 1 in each of the years 1957 to 1970, inclusive, to apply a specified amount of Series A Bonds forming such credit in satisfaction in whole or in part of the sinking fund payment required to be made on March 15 of such year and the Company will be required to pay into such sinking fund on March 15 of such year the sum in cash required to redeem on that date \$75,000 principal amount of Series A Bonds so applied. Such cash paid to the Trustee is to be applied in the retirement of Series A Bonds by call for redemption on March 15 of such year at the current sinking fund redemption price; provided that such call need not be made if the moneys in the sinking fund and required to be paid into the sinking fund are less than \$10,000 and in such case such moneys may be used by the Trustee in purchasing for cancellation Series A Bonds at a price not exceeding the redemption price current at the time of purchase in respect of Series A Bonds redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase.

Share Purchase Warrants Relating to Series A Bonds

The Series A Bonds when originally issued in definitive form will carry Share Purchase Warrants entitling the holders thereof, at any time from and after July 15, 1956 and up to and including March 15, 1962, to purchase common shares in the capital stock of the Company at the rate of 10 such common shares for each \$500 principal amount of Series A Bonds at a price of \$6.00 per share up to and including March 15, 1959 and thereafter at \$7.50 per share. Share Purchase Warrants may not be detached from the Series A Bonds until July 15, 1956 and will expire at 4:00 o'clock in the afternoon, Eastern Standard Time, on March 15, 1962.

Each Share Purchase Warrant will contain provisions for adjustment in the number of shares issuable pursuant to the privilege attaching to the Share Purchase Warrants in the event of any consolidation, subdivision or reclassification of, or any stock dividend being paid on, the common shares of the Company. In addition the Company will covenant to give at least 30 days' notice by public advertisement before issuing to its common shareholders pro rata rights to subscribe for additional shares, making any repayment of capital on its common shares, consolidating or merging with any other company, or selling or leasing a substantial part of its undertaking.

Sinking Fund for the Preferred Shares

So long as any of the preferred shares are outstanding the Company is to allocate as a sinking fund (to be used for the purchase of preferred shares for cancellation) on or before July 1 in each year commencing with the year 1957 an amount equal to the greater of (i) 2% of the aggregate par value of the greatest number of all the 5½% Cumulative Redeemable Preferred Shares theretofore issued or (ii) 5% of the consolidated net earnings of the Company and its subsidiaries for the last preceding fiscal year.

The full particulars concerning the preferred shares appear in the subjoined Statutory Information forming part of this prospectus.

Share Purchase Warrants Relating to the Preferred Shares

The preferred shares when originally issued in definitive form will carry Share Purchase Warrants entitling the holders thereof, at any time from and after July 15, 1956 and up to and including March 15, 1962, to purchase common shares in the capital stock of the Company at the rate of 2 such common shares for each preferred share at a price of \$6.00 per share up to and including March 15, 1959 and thereafter at \$7.50 per share. Share Purchase Warrants may not be detached from the preferred shares until July 15, 1956 and will expire at 4:00 o'clock in the afternoon, Eastern Standard Time, on March 15, 1962.

Each Share Purchase Warrant will contain provisions for adjustment in the number of shares issuable pursuant to the privilege attaching to the Share Purchase Warrants in the event of any consolidation, subdivision or reclassification of, or any stock dividend being paid on, the common shares of the Company. In addition the Company will covenant to give at least 30 days' notice by public advertisement before issuing to its common shareholders pro rata rights to subscribe for additional shares, making any repayment of capital on its common shares, consolidating or merging with any other company, or selling or leasing a substantial part of its undertaking.

Earnings

The following reports have been furnished by the auditors of the vendor companies and of Cranbrook Sawmills Ltd. (said auditors being also the auditors of the Company) with respect to their respective earnings for the periods noted.

Cranbrook Sash and Door Company Limited

and subsidiary companies

Consolidated Statement of Earnings

for the ten financial years ended December 31, 1946 to 1955 inclusive

Year	Earnings before Depreciation Depletion and Taxes on Income	Depreciation and Depletion	Earnings before Taxes on Income	Taxes on Income	Net Earnings
1946.....	\$150,459.16	\$ 41,735.03	\$108,724.13	\$ 59,748.27	\$ 48,975.86
1947.....	287,563.83	49,253.67	238,310.16	105,804.32	132,505.84
1948.....	330,091.33	51,864.02	278,227.31	97,765.90	180,461.41
1949.....	394,961.41	55,168.91	339,792.50	121,482.06	218,310.44
1950.....	588,084.12	70,888.88	517,195.24	200,518.40	316,676.84
1951.....	567,637.25	77,020.93	490,616.32	240,911.32	249,705.00
1952.....	597,718.77	125,995.72	471,723.05	238,504.68	233,218.37
1953.....	551,095.39	111,765.73	439,329.66	206,143.97	233,185.69
1954.....	363,309.09	111,087.96	252,221.13	118,511.71	133,709.42
1955.....	657,088.97	142,698.25	514,390.72	238,332.15	276,058.57

NOTES: (1) Charges and credits in earned surplus have been distributed in the foregoing consolidated statement of earnings to the years to which they apply.

(2) The above consolidated statement of earnings includes the earnings of an associated company, Kootenay Spruce Mills Ltd., from date of incorporation June 6, 1945, to August 31, 1954 on which date the business and assets of Kootenay Spruce Mills Ltd. were merged with those of Cranbrook Sash and Door Company Limited.

(3) Included above are the earnings of George McInnes Ltd. from the date of commencement of business by that company, January 1, 1952.

(4) Not included in the foregoing statement of earnings are net gains on disposal of capital assets in the sum of \$26,197.19 and premium in the amount of \$1,800.00 received on the sale of shares.

To the Directors of
Crestbrook Timber Limited.

Dear Sirs:

We have examined the foregoing consolidated statement of earnings of Cranbrook Sash and Door Company Limited and its subsidiary companies for the ten financial years from 1946 to 1955. Our examination included a general review of the accounting procedures of each of the companies and such tests of their accounting records and supporting evidence as we considered necessary in the circumstances.

We report that, in our opinion, the foregoing consolidated statement of earnings with the accompanying notes presents fairly the consolidated results of operations of Cranbrook Sash and Door Company Limited and its said subsidiaries for the ten financial years ended December 31, 1955.

Cranbrook, B.C.
February 24, 1956.

(Signed) CAMPBELL, SHANKLAND & Co.
Auditors.

Cranbrook Sawmills Ltd.

Statement of Earnings

for the ten financial years ended March 31, 1946 to 1955 inclusive
and the nine months ended December 31, 1955

Year	Earnings before Depreciation Depletion and Taxes on Income	Depreciation and Depletion	Earnings before Taxes on Income	Taxes on Income	Net Earnings
1946.....	\$ 14,490.51	\$ 5,124.80	\$ 9,365.71	\$ 3,882.96	\$ 5,482.75
1947.....	19,266.08	5,591.70	13,674.38	6,316.02	7,358.36
1948.....	7,645.59	5,557.40	2,088.19	832.31	1,255.88
1949.....	4,459.62	5,229.11	-769.49	—	-769.49
1950.....	15,203.89	12,448.37	2,755.52	217.28	2,538.24
1951.....	131,460.70	39,160.43	92,300.27	36,591.31	55,708.96
1952.....	154,697.86	44,166.92	110,530.94	48,650.12	61,880.82
1953.....	85,521.88	58,150.01	27,371.87	7,750.05	19,621.82
1954.....	81,279.30	48,645.71	32,633.59	17,996.45	14,637.14
1955 (12 mos.)..	92,870.89	72,534.18	20,336.71	3,776.96	16,559.75
1955 (9 mos.)...	67,696.91	49,998.22	17,698.69	3,893.12	13,805.57

NOTES: (1) Charges and credits in earned surplus have been distributed in the above statement of earnings to the years to which they apply.

(2) Not included in the foregoing statement of earnings are net gains on disposal of capital assets in the sum of \$8,421.05 and premium in the amount of \$64,850.00 received on the issue and sale of shares of Cranbrook Sawmills Ltd.

To the Directors of
Cranbrook Sawmills Ltd.

Dear Sirs:

We have examined the books and accounts of Cranbrook Sawmills Ltd. for the ten years and nine months ended December 31, 1955 and report that, in our opinion, the foregoing statement of earnings together with the accompanying notes which form an integral part thereof, correctly sets forth the earnings of Cranbrook Sawmills Ltd. for the aforementioned period.

Cranbrook, B.C.
April 10, 1956.

(Signed) CAMPBELL, SHANKLAND & Co.

Auditors

Cranbrook Sash and Door Company Limited

and its wholly-owned subsidiaries

and

Cranbrook Sawmills Ltd.

Statement of Combined Earnings

for the ten financial years—1946 to 1955 inclusive

Year	Earnings before Depreciation Depletion and Taxes on Income	Depreciation and Depletion	Earnings before Taxes on Income	Taxes on Income	Net Earnings
1946.....	\$164,949.67	\$ 46,859.83	\$118,089.84	\$ 63,631.23	\$ 54,458.61
1947.....	306,829.91	54,845.37	251,984.54	112,120.34	139,864.20
1948.....	337,736.92	57,421.42	280,315.50	98,598.21	181,717.29
1949.....	399,421.03	60,398.02	339,023.01	121,482.06	217,540.95
1950.....	603,288.01	83,337.25	519,950.76	200,735.68	319,215.08
1951.....	699,097.95	116,181.36	582,916.59	277,502.63	305,413.96
1952.....	752,416.63	170,162.64	582,253.99	287,154.80	295,099.19
1953.....	636,617.27	169,915.74	466,701.53	213,894.02	252,807.51
1954.....	444,588.39	159,733.67	284,854.72	136,508.16	148,346.56
1955.....	749,959.86	215,232.43	534,727.43	242,109.11	292,618.32

NOTES: (1) The earnings of Cranbrook Sawmills Ltd. for the nine months ended 31st December 1955 have not been included above and are as follows:

67,696.91	49,998.22	17,698.69	3,893.12	13,805.57
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(2) The earnings of Cranbrook Sash and Door Company Limited and its wholly owned subsidiaries include the following:

(a) The earnings of Kootenay Spruce Mills Ltd., from date of incorporation June 6th, 1945 to August 31st, 1954, on which date the business and assets of Kootenay Spruce Mills Ltd., were merged with those of Cranbrook Sash and Door Company Limited.

(b) The earnings of George McInnes Ltd., from the date of commencement of business by that company, January 1, 1952, to December 31, 1955.

(3) Charges and credits in earned surplus have been distributed in the above statement of earnings to the years to which they apply.

(4) The earnings of Cranbrook Sash and Door Company Limited and of its subsidiaries Columbia Contracting Company Limited and George McInnes Ltd. included in the above statement are in respect of financial years ended on December 31. The earnings of Cranbrook Sawmills Ltd. are included for financial years ended March 31, 1946 to 1955.

(5) Not included in the foregoing statement of earnings are net gains on disposal of capital assets in the sum of \$34,618.24 and premiums in the aggregate amount of \$66,650.00 received on the sale of shares.

To the Directors of
Crestbrook Timber Limited.

Dear Sirs:

The foregoing statement of combined earnings of Cranbrook Sash and Door Company Limited and its wholly-owned subsidiary companies and Cranbrook Sawmills Ltd. for the ten years and nine months ended December 31, 1955 has been prepared from the audited financial statements of the respective companies.

In our opinion the above statement and accompanying notes fairly presents the combined earnings of Cranbrook Sash and Door Company Limited and its wholly-owned subsidiaries for the ten financial years 1946 to 1955, and the earnings of Cranbrook Sawmills Ltd. for the financial years 1946 to 1955 and for the nine month period ended December 31, 1955.

Cranbrook, B.C.

April 10, 1956.

(Signed) CAMPBELL, SHANKLAND & Co.
Auditors.

To the Directors,
Crestbrook Timber Limited.

We have examined the foregoing statement of combined earnings of Cranbrook Sash and Door Company Limited and its subsidiary companies for the year ended December 31, 1955 and Cranbrook Sawmills Ltd. for the twenty-one months ended 31st December 1955. In connection therewith, we did not make a detailed audit of the transactions occurring during that period but made such examination of records and other supporting evidence by methods and to the extent we deemed appropriate and satisfied ourselves that the profits as shown were in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We report that in our opinion the foregoing correctly sets forth the combined earnings of the companies for the periods examined by us.

Toronto, Ontario,

April 10, 1956

(Signed) GLENDINNING, JARRETT & CAMPBELL
Chartered Accountants

Having regard to the Statement of Combined Earnings set out above, earnings of the Company and Cranbrook Sawmills Ltd. for the year 1955 available for payment of maximum interest requirements of \$55,000 on the Series A Bonds was \$749,959.86. In considering the earnings of the Company available for payment of dividends on the preferred shares, the combined Statement of Earnings shown above, while serving as an indication of the earning power of the Company, cannot for several reasons be directly applied to the proposed capitalization of the Company.

In the first place the operations of some of the vendor companies were not of a comparable nature especially prior to the year 1950.

In the second place, the vendor companies and Cranbrook Sawmills Ltd. charged to operating profits the maximum depreciation allowed for income tax purposes. In the opinion of Messrs. Campbell, Shankland & Co. the auditors of the Company, these charges were in excess of normal depreciation rates generally considered adequate in the industry. In the opinion of said auditors normal depreciation on the cost of the assets as acquired would be \$183,835 while actual depreciation charged for the year 1955 was \$215,232. Assuming normal depreciation only to be charged earnings after depreciation and depletion but before taxes on income would have been \$566,124. After provision for maximum interest on the Series A Bonds in the amount of \$55,000 and adjusted taxes, net earnings for the year 1955 would have been \$319,937 to meet preferred share dividend requirements of \$44,000. \$275,937 would have been available for the common shares.

While the actual earnings of the predecessor companies are an indication of the earning power of the Company, economies of operation, the application of more modern techniques in the processing of timber and more aggressive sales policies, should result in a substantial increase in the earnings of the Company.

Yours very truly,

(Signed) J. M. BROWN JR.
President

CRESTBROOK TIMBER LIMITED

Balance Sheet and Pro Forma Consolidated Balance Sheet of Crestbrook Timber Limited and its wholly-owned subsidiary Cranbrook Sawmills Ltd.

as at December 31, 1955

	Assets	Balance Sheet	Pro Forma Consolidated Balance Sheet Note (1)
CURRENT:			
Cash on hand and in banks.....		\$50.00	\$ 223,298.00
Government of Canada bonds—at cost (par value \$60,000.00).....			59,891.00
Accounts and Notes Receivable, less allowance of \$28,775.00 for doubtful accounts.....			326,195.00
Inventories of logs, poles, lumber, merchandise and supplies valued at the lower of cost or market.....			755,850.00
Prepaid expenses.....			37,644.00
TOTAL CURRENT ASSETS.....		\$50.00	\$1,402,878.00
INVESTMENTS AND DEPOSITS:			
Investment in Interprovincial Building Credits Ltd.....			\$ 500.00
Deposits on Government Forest Management License and timber sale contracts (including Government of Canada Bonds having a par value of \$93,250.00).....			120,773.00
			\$ 121,273.00
FIXED: Note (2)			
Timber holdings, roads, bridges and dams.....			\$1,253,516.00
Sawmills, buildings, machinery, spur tracks, logging and automotive equipment.....			1,225,757.00
Real Estate.....			57,424.00
			\$2,536,697.00
FINANCING AND ORGANIZATION EXPENSE.....			\$ 153,500.00
		\$50.00	\$4,214,348.00
Liabilities			
CURRENT:			
Accounts payable and accrued charges.....			\$ 285,892.00
Due to shareholders.....			38,058.00
Income taxes.....			123,473.00
TOTAL CURRENT LIABILITIES.....			\$ 447,423.00
FUNDED DEBT:			
5% First Mortgage Sinking Fund Bonds Series A, due March 15, 1971...			\$1,100,000.00
CAPITAL STOCK:			
Authorized:			
30,000 5½% Cumulative Redeemable Preferred Shares with par value of \$50.00 each.....	\$1,500,000.00		
600,000 common shares of no par value.....			
Issued:			
Actual: Note 3			
10 common shares of no par value for cash.....		\$50.00	
Pro Forma:			
16,000 5½% Cumulative Redeemable Preferred Shares of \$50.00 each			\$ 800,000.00
394,385 common shares of no par value Notes (1) (c) (d) (e) and 3.....			1,866,925.00
		\$50.00	\$2,666,925.00
		\$50.00	\$4,214,348.00
CONTINGENT LIABILITY:			
Notes receivable of a subsidiary discounted.....			\$ 5,295.00

Approved on behalf of the Board:

(Signed) P. E. COOPER
Director

(Signed) G. W. O'BRIEN
Director

**Notes to Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet
as at December 31, 1955**

1. The Pro Forma Consolidated Balance Sheet as at December 31, 1955 is after giving effect to the following transactions:
 - (a) The issuance and sale of \$1,100,000.00 principal amount of 5% First Mortgage Sinking Fund Bonds Series A due March 15, 1971 for \$1,061,500.00.
 - (b) The issuance and sale for cash of 16,000 preferred shares with a par value of \$50.00 each and the payment of a commission of \$40,000.00 to the underwriters.
 - (c) The issuance and sale of 210,000 common shares of no par value for a cash consideration of \$945,000.00.
 - (d) Acquisition of all the outstanding shares of Cranbrook Sawmills Ltd. in consideration of the allotment by Crestbrook Timber Limited of 144,375 common shares of no par value.
 - (e) Purchase of the assets of George McInnes Ltd. as at December 31, 1955 for the sum of \$341,380.66, of which \$63,166.77 is payable in cash, \$78,213.89 by assumption of liabilities and the balance by the issuance of 40,000 common shares of the Company.
 - (f) Purchase of the assets of Columbia Contracting Company Limited as at December 31, 1955 for the sum of \$1,023,136.55 of which \$968,971.78 is payable in cash and \$54,164.77 by assumption of liabilities.
 - (g) Purchase of the assets of Cranbrook Sash and Door Company Limited, other than the shares held by it in Columbia Contracting Company Limited and George McInnes Ltd., for the sum of \$1,608,365.09 of which \$1,398,721.94 is payable in cash and \$209,643.15 by assumption of liabilities.
 - (h) Payment of engineering and organization expenses in the estimated amount of \$75,000.00.
 - (i) Providing British Columbia Social Security Tax for an amount of \$27,975.00.
 - (j) Share purchase warrants for 84,000 common shares at \$6.00 per share from July 15, 1956 to March 15, 1959 and at \$7.50 per share from that date to March 15, 1962 will be issued with the First Mortgage Sinking Fund Bonds Series A, and the 16,000 preferred shares and to the underwriters.

2. **FIXED ASSETS:**

Cranbrook Sawmills Ltd.

At values approved by the board of directors based on depreciated market value of \$851,434.00 as appraised by Messrs. C. D. Schultz & Co. Ltd. under date of January 28, 1956.....	\$ 675,385.00
George McInnes Ltd.—at cost.....	297,736.00
Columbia Contracting Company Limited—at cost.....	563,361.00
Cranbrook Sash and Door Company Limited—at cost.....	1,000,215.00
	<u>\$2,536,697.00</u>

3. **CAPITAL STOCK—ISSUED:**

Actual:

At December 31, 1955 the authorized capital of Crestbrook Timber Limited was \$3,000,000.00 divided into 300,000 common shares of \$10.00 each, of which 5 shares were issued for cash. By special resolution, effective February 23, 1956 the said common shares were subdivided and converted into 600,000 common shares of no par value, and the authorized capital of the Company was changed to \$1,500,000 divided into 30,000 preferred shares of the par value of \$50.00 each.

Auditors Report

To the Directors of

Crestbrook Timber Limited

We have examined the balance sheet of Crestbrook Timber Limited as at December 31, 1955 and in our examination of the accounts have obtained all the information and explanations we have required. In our opinion the foregoing balance sheet of Crestbrook Timber Limited is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at December 31, 1955 and as shown by the books of the Company.

We have also made an examination of the pro forma consolidated balance sheet of Crestbrook Timber Limited and its proposed subsidiary, Cranbrook Sawmills Ltd. as at December 31, 1955. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that in our opinion, the foregoing pro forma consolidated balance sheet of Crestbrook Timber Limited and its proposed subsidiary company presents fairly the financial position of the Company at December 31, 1955 after giving effect to the transactions set out in "Notes to Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet as at December 31, 1955."

Cranbrook, B.C.

April 10, 1956.

(Signed) CAMPBELL, SHANKLAND & Co.
Auditors.

To the Directors,

CRESTBROOK TIMBER LIMITED.

We have examined the balance sheet and the pro forma consolidated balance sheet of Crestbrook Timber Limited as at December 31, 1955. In connection therewith we did not make a detailed audit of the transactions but made such examination of records and other supporting evidence by methods and to the extent we deemed appropriate.

We report that, in our opinion, based on our examination the foregoing pro forma consolidated balance sheet of Crestbrook Timber Limited and its proposed subsidiary company presents fairly the financial position of Crestbrook Timber Limited and its subsidiaries as at 31st December 1955 after giving effect to the transactions set out in "Notes to Balance Sheet and Pro Forma Consolidated Balance Sheet as at 31st December 1955".

Toronto, Ontario,

April 10, 1956.

(Signed) GLENDINNING, JARRETT & CAMPBELL
Chartered Accountants.

Statutory Information

(a) The full name of the Company is Crestbrook Timber Limited (hereinafter called the "Company"). The head office of the Company is situated at Suite 402, 1111 West Georgia Street, Vancouver 5, B.C.

(b) The Company was incorporated under the provisions of the Companies Act (British Columbia) under the name of Sylvan Industries Limited by certificate of incorporation dated November 22, 1955 issued by The Registrar of Companies of the Province of British Columbia. By certificate dated February 16, 1956 issued by the Registrar of Companies of the Province of British Columbia the name of the Company was changed to Crestbrook Timber Limited. By certificates issued by the Registrar of Companies of the Province of British Columbia, dated February 23, 1956 and March 15, 1956, the authorized capital of the Company became \$1,500,000, divided into 30,000 preferred shares with a par value of \$50.00 each and the Company is also authorized to issue 600,000 common shares without nominal or par value with a maximum price or consideration of \$7.50 each.

(c) The Company proposes both directly and through a subsidiary company to carry on the business of logging and the production, manufacture and sale of lumber and timber products. The Company does not at the date hereof carry on active business operations but proposes as stated in paragraph (u) and (v) to acquire all the assets of Cranbrook Sash and Door Company Limited (other than the issued shares of Columbia Contracting Company Limited and George McInnes Ltd.), Columbia Contracting Company Limited and George McInnes Ltd., and all the issued and outstanding shares of Cranbrook Sawmills Ltd., all of which companies are actively engaged in the aforesaid business.

(d) The names, present occupations and home addresses of the directors and officers of the Company are as follows:

Directors

JAMES MICHAEL BROWN, JR.	Lumberman	605-2nd Street, Sandpoint, Idaho, U.S.A.
VICTOR CARLYLE BROWN	Lumberman	408-14th Avenue, Cranbrook, B.C.
CHESTER CHASTEK	Attorney at Law	516 Sumner, Spokane, Washington, U.S.A.
PAUL EMERSON COOPER	Executive	1386 Nicola Street, Vancouver, B.C.
ALFRED OLI FARSTAD	Lumberman	116 Long Avenue, Creston, B.C.
CARL INMAN HALL	Investment Dealer	4616 West 2nd Avenue, Vancouver, B.C.
GEORGE WILLIAM O'BRIEN	Executive	1742 West 40th Avenue, Vancouver, B.C.

Officers

<i>President and Managing Director</i>	JAMES MICHAEL BROWN, JR.	Lumberman, 605-2nd Street, Sandpoint, Idaho, U.S.A.
<i>Vice-President</i>	VICTOR CARLYLE BROWN	Lumberman, 408-14th Avenue, Cranbrook, B.C.
<i>Secretary</i>	MEREDITH MILNER MCFARLANE	Solicitor, 6490 Cedarhurst, Vancouver, B.C.

(e) The auditors of the Company are Messrs. Campbell, Shankland & Co., 41 Baker Street, Cranbrook, British Columbia, Canada, who are also the auditors of Cranbrook Sawmills Ltd., Cranbrook Sash and Door Company Limited, Columbia Contracting Company Limited and George McInnes Ltd. Messrs. Glendinning, Jarrett & Campbell have also reported on the balance sheet and the pro forma consolidated balance sheet of the Company as at December 31, 1955 and on the attached Statement of Combined Earnings for the financial year 1955.

(f) Montreal Trust Company at its offices in the cities of Vancouver and Toronto is the registrar and transfer agent of the 5½% Cumulative Redeemable Preferred Shares and of the common shares of the Company.

National Trust Company, Limited will be the Trustee under the deed of trust and mortgage hereinafter referred to pursuant to which the \$1,100,000 principal amount of Series A Bonds hereinafter referred to are to be issued and registers upon which coupon Series A Bonds may be registered as to principal only and upon which fully registered Series A Bonds shall be registered as to both principal and interest and upon which transfers of Series A Bonds so registered shall be recorded will be kept by National Trust Company, Limited at its offices in the cities of Toronto and Vancouver.

(g) The authorized capital of the Company is \$1,500,000 divided into 30,000 5½% Cumulative Redeemable Preferred Shares with a par value of \$50.00 each, of which at the date hereof none have been issued, and the Company is also authorized to issue 600,000 common shares without nominal or par value with a maximum price or consideration of \$7.50 each, of which at the date hereof 10 shares are issued and outstanding as fully paid and non-assessable.

(h) The special rights and restrictions attached to the 5½% Cumulative Redeemable Preferred Shares (hereinafter referred to as the "preferred shares") are as follows:—

(a) The holders of the preferred shares shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors or the Company out of funds of the Company available for payment of dividends, fixed cumulative preferential cash dividends at the rate of Five and one-half per centum (5½%) per annum payable quarterly on the 15th days of March, June, September and December in each year on the amounts from time to time paid up thereon; such dividends shall accrue from the 15th day of March, 1956 or such other date as may be determined by the directors at time of allotment. Warrants or cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted) shall be issued in respect of such dividends and payment thereof shall satisfy such dividends. If on any dividend payment date the dividends payable on such date are not paid in full on the preferred shares then issued and outstanding, such dividends or the unpaid part thereof shall be paid on a subsequent dividend payment date or dates on which the Company shall have sufficient moneys properly applicable to the payment of the same. The holders of the preferred shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for.

(b) In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets among shareholders for the purpose of winding up its affairs, the holders of the preferred shares shall be entitled to receive the amount paid up on such shares together with all unpaid preferential dividends (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends have been paid up to the date of distribution) and if such liquidation, dissolution, winding up or distribution be voluntary an additional amount equal

to five per cent (5%) of the par value thereof before any amount shall be paid or any property or assets of the Company distributed to the holders of any common shares or shares of any other class ranking junior to the preferred shares. After payment to the holders of the preferred shares of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Company.

(c) Subject to the provisions of the "Companies Act" the Company may at any time or times purchase (if obtainable) for cancellation the whole or any part of the preferred shares outstanding from time to time in the market or by invitation for tenders addressed to all registered holders of the preferred shares outstanding at the lowest price at which in the opinion of the Directors such shares are obtainable but not exceeding the redemption price of such shares at that time and costs of purchase and an amount calculated as if the preferential dividends on such shares were accruing for the period from the expiration of the last quarterly period from which dividends have been paid up to the date of purchase. If, in response to an invitation for tenders, two (2) or more shareholders submit tenders at the same price and any of such tenders are accepted by the Company in whole or in part, then, unless the Company accepts all such tenders in whole, the Company shall accept such tenders in proportion as nearly as may be to the number of shares offered in each such tender. From and after the date of purchase of any preferred shares under the provisions of this article the shares so purchased shall be deemed to be redeemed and shall be cancelled.

(d) Subject to the provisions of the "Companies Act", the Company may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding preferred shares on payment for each share to be redeemed of Fifty-two dollars and Fifty cents (\$52.50), together with all unpaid preferential dividends (which for such purpose shall be calculated as if the dividends on the preferred shares were accruing for the period from the expiration of the last quarterly period for which dividends have been paid down to the date of such redemption). In case a part only of the then outstanding preferred shares is at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the directors or the transfer agent appointed by the Company in respect of the preferred shares may determine.

(e) In any case of any redemption of preferred shares under the provisions hereof, the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of preferred shares to be redeemed, a notice in writing of the intention of the Company to redeem such preferred shares. Such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed. On or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the preferred shares to be redeemed the redemption price on presentation and surrender at the head office of the company or any other place designated in such notice of the certificates for the preferred shares called for redemption. Such preferred shares shall thereupon be and be deemed to be redeemed and shall be cancelled. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified in any such notice, the preferred shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. Should the holders of any preferred shares so called for redemption fail to present the certificates representing such shares on the date specified for redemption, the Company shall have the right to deposit the redemption price of such shares to a special account in any branch of a chartered bank or any office of a trust company in Vancouver or Toronto, Canada, to be paid without interest to or to the order of the respective holders of such preferred shares called for redemption upon presentation and surrender to such branch or office of the certificates representing the same and a receipt for the redemption price, and upon such deposit being made the preferred shares in respect whereof such deposit shall have been made shall be deemed to be redeemed and shall be cancelled and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them and receipts for the redemption price paid to them respectively.

(f) The holders of preferred shares shall not be entitled (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the Company or to vote at any such meeting (but shall be entitled to have mailed to them copies of the financial statements and the directors' report thereon submitted to annual general meetings of shareholders) unless and until the Company from time to time shall fail to pay in the aggregate six quarterly dividends on the preferred shares on the dates on which the same should be paid according to the terms hereof whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends. Thereafter so long as any dividends remain in arrears the holders of the preferred shares shall be entitled to one vote in respect of each preferred share held and shall be entitled as a class to elect three members of the board of directors of the Company. Nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors.

Notwithstanding anything contained in the memorandum and articles of association of the Company the term of office of all persons who may be directors of the Company at any time when the right to elect directors shall accrue to the preferred shares as herein provided or who may be appointed as directors if such right shall have accrued and before a meeting of the Company shall have been held shall terminate upon the election of new directors at the next annual general meeting of the Company or at an extraordinary general meeting of the Company which may be held for the purpose of electing directors at any time after the accrual of such voting rights upon not less than fifteen (15) days' written notice and such extraordinary general meeting of the Company shall be called by the secretary upon the written request of the registered holders of at least one-tenth of the outstanding preferred shares and in default of the calling of such extraordinary general meeting by the secretary within ten (10) days after the making of such request it may be called by any registered holder of preferred shares.

Any vacancy occurring among members of the board elected by the holders of preferred shares in accordance with the foregoing provisions may be filled by the board with the consent and approval of the remaining director elected by the holders of preferred shares but if there be no such remaining director or directors the board may appoint sufficient holders of preferred shares to fill the vacancy or vacancies.

Whether or not such vacancy or vacancies are so filled by the board the holders of record of at least one-fifth of the outstanding preferred shares shall have the right to require the secretary of the Company to call a meeting of the holders of preferred shares for the purpose of filling the vacancies or replacing all or any of the persons filling such vacancies who have been appointed by the directors when there is no director in office, who has been elected by the holders of preferred shares, and the provisions of the last preceding subparagraph shall apply in respect of the calling of such meeting.

Notwithstanding anything contained in the memorandum and articles of association of the Company upon any termination of the voting rights of the holders of preferred shares as herein provided the term of office of the directors elected by the holders of preferred shares shall forthwith terminate.

(g) Subject as hereinafter provided so long as any of the preferred shares are outstanding the Company shall on or before July 1 in each year, commencing with the year 1957, allocate as a sinking fund for the purchase of preferred shares for cancellation an amount equal to the greater of (A) two per cent (2%) of the aggregate par value of the greatest number of preferred shares theretofore issued or (B) five per cent (5%) of the consolidated net earnings of the Company and its subsidiaries as herein defined for the preceding fiscal year after deducting therefrom the amount of dividends for such year on all preferred shares and the amount of accumulated and unpaid dividends thereon for any preceding year or years to the extent that deduction has not been previously made for such accumulated and unpaid dividends in calculating sinking fund requirements. A certificate of the Company's auditors for the time being as to the amount of consolidated net earnings of the Company and its subsidiaries available for the sinking fund for the preferred shares or the absence thereof shall be conclusive and binding on the Company, the holders of the preferred shares and the holders of the shares of every other class and shall not be called in question.

If under the foregoing provisions the Company would be required to allocate in any year for sinking fund purposes an amount which when added to the amounts theretofore allocated as a sinking fund in respect of the preferred shares and not used or applied for the purposes hereinafter provided would aggregate an amount in excess of fifty thousand dollars (\$50,000) then the Company in such year shall only be required to allocate for sinking fund purposes the amount (if any) which when added to the said amounts theretofore allocated and not used or applied as aforesaid will equal fifty thousand dollars (\$50,000).

The amounts from time to time allocated as a sinking fund in respect of the preferred shares shall be applied in the purchase of preferred shares (if obtainable) in the market in accordance with and subject to the provisions hereof; to the extent to which preferred shares cannot be so purchased the Company shall not be obligated to make any application of the sinking fund in the purchase for cancellation or redemption of preferred shares but shall reserve the same until such shares in the opinion of the board of directors can be so purchased and so on from time to time so long as any of the preferred shares shall be outstanding; any moneys allocated as a sinking fund in accordance with the foregoing provisions need not be kept separate from any other moneys of the Company and pending application thereof in the purchase of preferred shares for cancellation in accordance with the provisions hereof may be employed in the business of the Company.

"consolidated net earnings" as used herein means all gross earnings and income of the Company and its subsidiary companies from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and its subsidiary companies. Without limitation of the generality of the foregoing the operating expenses shall include insurance, maintenance, repairs, renewals, rentals, licenses, taxes including income taxes and excess profits taxes, and all interest and such reserve for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors may determine and in addition to actual expenditures for maintenance, reasonable allowance for depreciation. Provided always that the net earnings of any subsidiary company for the purposes of this definition shall only include such part of the net earnings and income of such subsidiary company as under sound accounting practice is applicable to those shares of such subsidiary company which are held by the Company or any other subsidiary company.

(h) No dividends shall at any time be declared or paid on or set apart for the common shares or any of them or any other shares of the Company junior to the preferred shares nor shall the Company call for redemption and/or purchase directly or indirectly any preferred shares less than the total amount then outstanding unless all accrued dividends (up to and including the dividend payable for the last quarter elapsed) on the preferred shares then issued and outstanding shall have been declared and paid or provided for at the date of such declaration or payment or setting apart or call for redemption or purchase or other acquisition.

So long as any of the preferred shares remain outstanding, no dividends (except in shares of the Company's capital) shall be declared on the common shares or any of them or any other shares junior to the preferred shares when the consolidated net current assets of the Company and its subsidiaries are below or which would reduce such consolidated net current assets to less than six hundred thousand dollars (\$600,000).

"consolidated net current assets" as used herein shall mean the surplus of consolidated current assets over consolidated current liabilities.

"consolidated current assets" means the following assets of the Company and subsidiaries: cash in bank, on hand and with fiscal agents (but not including cash in the hands of any Trustee for sinking fund purposes); securities having a ready and publicly known market in any one of the Cities of Vancouver, Toronto, and Montreal, Canada, (but not including securities of any subsidiary of the Company), such securities to be taken at cost or at the market value, whichever is the lower; good accounts, bills, notes and similar items receivable within one year from or in connection with the carrying on of the businesses of the Company and subsidiaries; prepaid interest, insurance, rents, municipal taxes and similar prepaid expenses; stock-in-trade acquired for retail re-sale; logs cold-decked in transit or in course of manufacture; lumber; material supplies and merchandise at cost, whether new or salvage and re-usable; and such other assets as are usually regarded as current by companies conducting businesses similar to that of the Company or its subsidiaries.

"consolidated current liabilities" means the following liabilities of the Company and its subsidiaries: accounts payable, proper reserves for taxes of all kinds, bank loans and overdrafts, accrued interest and other accrued liabilities required to be treated as current in accordance with sound accounting practice; provided that no liabilities under forward commitments of purchase related to the current operations of the Company and/or its subsidiaries and that no principal, premium (if any) or sinking fund instalments (if any) in respect of any funded indebtedness of the Company or its subsidiaries (which term means any obligation or evidence of indebtedness maturing more than one year from the date thereof) which may be

owing, issued or guaranteed by the Company and/or its subsidiaries shall be treated as current liabilities. In the case of subsidiary companies not wholly owned there shall be taken into account for the purpose of determining consolidated net current assets only the proportion of the net current assets of such subsidiary companies attributable to the shareholdings of the Company or any other subsidiary company in such subsidiary company. For the purposes hereof a certificate of the President or a Vice-President of the Company as to consolidated net current assets as of a date not more than thirty days prior to the declaration of the dividend shall be deemed to be the amount of such consolidated net current assets as of the date of such declaration and shall be conclusive and binding on the holders of the preferred shares and the holders of shares of every other class.

(i) So long as any of the preferred shares are outstanding, the Company shall not without, and may from time to time with, the approval of the holders of the preferred shares:

- (i) make any repayment of paid-up capital on any common shares or any other shares ranking junior to the preferred shares save as herein provided;
- (ii) sell or otherwise dispose of or permit any subsidiary company to sell or otherwise dispose of (except to the Company or to another subsidiary company) by conveyance, transfer, lease, or otherwise the assets and undertaking of the Company or a subsidiary company as the case may be, as an entirety or substantially as an entirety;
- (iii) allot or issue any preferred shares in excess of 16,000 preferred shares unless consolidated net earnings (as above defined) for any twelve consecutive months of the last eighteen months immediately preceding the date of allotment have been at least equal to twice the annual dividend requirements on the preferred shares then outstanding and then proposed to be issued; the certificate of the Company's auditors for the time being as to whether the Company is or is not entitled to issue any preferred shares without the approval aforesaid shall be conclusive and binding on the Company and the holders of shares of every class and all persons are invited to act accordingly;
- (iv) issue or become liable on or permit any subsidiary to issue or become liable on any funded obligations other than First Mortgage Bonds which may from time to time be issued and outstanding under a deed of trust and mortgage to be dated as of March 15, 1956 and to be made between the Company, Cranbrook Sawmills Ltd. and National Trust Company, Limited, as Trustee, and any instruments ancillary or supplemental thereto; provided, however, that this restriction shall not apply to nor operate to prevent
 1. the assuming or giving of purchase money mortgages or other purchase money liens on property acquired by the Company or any subsidiary or the acquiring of property by the Company or any subsidiary subject to any mortgage, lien, charge or encumbrance existing thereon at the time of such acquisition; or the renewing or refunding of any such mortgage, lien, charge or encumbrance to the extent of the principal amount of any such mortgage, lien, charge or encumbrance at the time of such renewing or refunding; or
 2. the incurring by the Company or any subsidiary of obligations in the ordinary course of their respective businesses or in respect of the acquisition of timber, timber rights or timber lands including without restricting the generality of the foregoing the undertaking and performance of obligations under timber sale contracts and Forest Management Licenses.

"subsidiary company" or "subsidiary" means any corporation or company more than fifty per cent (50%) of the outstanding voting stock or shares of which is owned directly or indirectly by the Company and includes any subsidiary of a subsidiary company. "voting stock or shares" as used herein means stock or shares of any class carrying voting rights but shall not include stock or shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened.

"funded obligations" means any indebtedness the principal amount of which by its terms is not payable on demand and matures more than eighteen months after the date of the creation or issuance thereof and any liability (contingent or otherwise) in respect of (i) any guarantee by the Company of any such indebtedness of any person, firm or corporation other than a subsidiary and (ii) any guarantee by a subsidiary of any such indebtedness of any person, firm or corporation other than the Company.

(j) No class of shares may be created or issued ranking as to capital or dividends prior to or on a parity with the preferred shares nor shall the authorized amount of preferred shares be increased without the approval of the holders of the preferred shares; the Company may, however, at any time and without the approval of the holders of the preferred shares, authorize and issue redeemable shares as may be requisite in the opinion of counsel, if the Company elects at any time or from time to time to take advantage of the provisions of Section 105 of the "Income Tax Act" of Canada or any corresponding section of any future statute of Canada relating to income tax and may redeem such shares in priority to the preferred shares provided

- (i) such shares are by the conditions attached thereto made junior to the preferred shares for all purposes save the redemption thereof, and
- (ii) no such shares shall be redeemed when consolidated net earnings (as defined above) of the Company and its subsidiaries are less than or if after such redemption would be less than six hundred thousand dollars (\$600,000).

(k) The approval of holders of the preferred shares as to any and all matters referred to herein may be given in writing by the holders of two-thirds of the outstanding preferred shares or by resolution passed at a meeting of holders of preferred shares duly called and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding preferred shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than three-quarters of the preferred shares represented and voted at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding preferred shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of preferred shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than three-fourths

of the preferred shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of preferred shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the articles of association of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of preferred shares shall be entitled to one vote in respect of each preferred share held.

(l) The aforesaid special rights and restrictions attached to the preferred shares may be varied, amended or abrogated but only with the approval of the holders of the preferred shares given in the manner above provided.

The holders of common shares shall be entitled to one (1) vote in person or by proxy at all meetings of the shareholders (other than at meetings of holders of preferred shares only) in respect of each common share held.

(i) There are no bonds, debentures or other securities of the Company outstanding which rank ahead of or *pari passu* with the Series A Bonds hereinafter referred to and the Company at this time does not propose to issue any bonds, debentures or other securities which if issued would rank ahead of or *pari passu* with said Series A Bonds. The Series A Bonds will rank ahead of the preferred shares and the common shares in the capital of the Company and the said preferred shares will rank ahead of the said common shares.

(j) There is no substantial indebtedness of the Company to be created or assumed which is not shown in the accompanying *pro forma* consolidated balance sheet as at December 31, 1955 save and except indebtedness of the Company incurred or to be incurred in the ordinary course of business.

(k) The Company proposes to issue \$1,100,000 principal amount of 5% First Mortgage Sinking Fund Bonds Series A (herein called the "Series A Bonds"), 16,000 preferred shares and 210,000 common shares. The offering price to the public of the Series A Bonds is \$100 per \$100 principal amount thereof and accrued interest on the principal amount thereof; the offering price to the public of the said 16,000 preferred shares is \$50 per share; and the offering price to the public of the said 210,000 common shares is \$5 per share.

Security

The Series A Bonds are to be issued under and pursuant to a deed of trust and mortgage (hereinafter called the "trust deed") to be dated as of March 15, 1956 and to be made by the Company and Cranbrook Sawmills Ltd. in favour of National Trust Company, Limited (hereinafter called the "Trustee"), as Trustee and are, in the opinion of counsel, to be direct obligations of the Company secured by

- (1) subject to certain minor encumbrances to be set out in the trust deed which in the opinion of counsel will not materially impair the use of the property for the purposes for which it is held by the Company or Cranbrook Sawmills Ltd. or materially affect the security for the Bonds, a first fixed and specific mortgage, pledge and charge of and upon all real, immovable and leasehold property, all fixed machinery, plant, fixed equipment and other fixed assets, logging equipment, timber holdings and rights, now owned by the Company and by Cranbrook Sawmills Ltd., and all the issued and outstanding shares of Cranbrook Sawmills Ltd., and
- (2) a first floating charge under the laws of the Province of British Columbia upon all other present and future property and assets of the Company and of Cranbrook Sawmills Ltd. and upon their respective undertakings.

The first fixed and specific mortgage, pledge and charge above mentioned is to be expressed in the trust deed to be applicable to all real and immovable property hereafter acquired by the Company, and its said subsidiary.

Additional Bonds

The trust deed is to contain provisions permitting the issuance (subject as hereinafter provided) from time to time of additional Bonds (herein called "Additional Bonds") thereunder to an aggregate principal amount equal to 66⅔% of the cost or fair value (to be determined in the manner to be provided in the trust deed), whichever is less, of additional property (as to be defined in the trust deed) acquired by the Company or any wholly-owned subsidiary by purchase, construction or otherwise subsequent to May 1, 1956 and 66⅔% of the cost or fair value, whichever is less, of property (as to be defined in the trust deed) of any company or corporation which becomes a wholly-owned subsidiary of the Company subsequent to May 1, 1956 provided that such additional property and such property are subjected to a first fixed and specific mortgage, pledge or charge as security for the Bonds. Said Additional Bonds will rank equally and rateably with the Series A Bonds save only as to sinking fund provisions applicable to different issues and the principal of, premium (if any) and interest on such Additional Bonds may be payable in such currency or currencies as may be determined by the Company at the time of issue thereof.

Certain Covenants

The trust deed is to contain covenants, among others, which will provide in effect that so long as any of the Series A Bonds remain outstanding:

1. The Company will not issue any Additional Bonds under the trust deed or issue or become liable on or permit any subsidiary to issue or become liable on any other funded obligations unless
 - (i) the consolidated net tangible assets of the Company and its subsidiaries shall be equal to at least 33⅓% of the principal amount of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be, and
 - (ii) the consolidated net earnings of the Company and its subsidiaries for the last completed fiscal year next preceding such issue or next preceding the Company or a subsidiary so becoming liable as the case may be shall have been at least equal to three times the aggregate annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be;
2. No Additional Bonds or other funded obligations of the Company will be issued under the trust deed or otherwise having a maturity date prior to March 15, 1971 other than Bonds or other obligations maturing serially;
3. The aggregate amount payable by way of serial maturities and/or mandatory sinking fund payments (which in the case of a sinking fund payment to retire a specified principal amount shall for the purpose of this Clause 3 be deemed to be the principal amount so to be retired) in any year in respect of the funded obligations of any issue of the Company shall not be greater than 7% of the aggregate principal amount issued of the funded obligations of such issue unless the annual

mandatory sinking fund payments in respect of the Series A Bonds are increased so as to insure that the proportion which the aggregate amount payable by way of serial maturities and/or mandatory sinking fund payments in such year in respect of the Series A Bonds bears to the aggregate principal amount of the Series A Bonds issued shall not be less than the proportion which the aggregate amount payable by way of serial maturities and/or mandatory sinking fund payments in such year in respect of the funded obligations of such first mentioned issue bears to the aggregate principal amount issue of the funded obligations of such issue.

4. The Company will not
 - (a) declare or pay any dividend (other than in shares in the Company's capital) on the Common shares in the capital of the Company unless immediately after giving effect to the payment of such dividend the consolidated net current assets of the Company and its subsidiaries shall be at least equal to \$600,000, or
 - (b) declare or pay any dividend (other than in shares in the Company's capital) on the Preferred shares in the capital of the Company unless immediately after giving effect to the payment of such dividend the consolidated net current assets of the Company and its subsidiaries shall be at least equal to \$500,000.
5. Neither the Company nor any subsidiary
 - (a) will sell or transfer any immovable plant or equipment to a third party and then or thereafter rent or lease such immovable plant or equipment at a rental whereby
 - (i) as part or all of the rental or other consideration paid for such lease, the cost or value of such immovable plant or equipment to such third party is directly or indirectly repaid with interest over the initial term of such lease, or
 - (ii) the Company and/or any subsidiary receive title to such immovable plant or equipment at the termination of such lease by lapse of time or prior to such termination have the option to purchase such immovable plant or equipment at said cost or value less rental payments made by the Company or such subsidiary
 - (b) will lease any immovable plant or equipment from any third party on rental terms whereby either
 - (i) as part or all of the rental or other consideration paid for such lease, the cost or value of such fixed asset to the third party is directly or indirectly repaid with interest over the initial term of such lease, or
 - (ii) the Company and/or any subsidiary receive title to such fixed plant or equipment at the termination of such lease by lapse of time or prior to such termination have the option to purchase such immovable plant or equipment at such cost or value less rental payments made by the Company or such subsidiary.
6. The Company will not prepay any of the Series A Bonds in whole or in part prior to March 15, 1963 as a part of a refunding, or anticipated refunding operation, by the application directly or indirectly of moneys borrowed on indebtedness which shall mature more than one year from the creation thereof and which shall have either an interest rate or an interest cost to the Company (calculated in accordance with accepted financing practice) of less than 5% per annum.

The foregoing Clauses 2 to 6 shall not apply to nor operate to prevent

- (i) the assuming or giving of purchase money mortgages or other purchase money liens on property acquired by the Company or by any subsidiary after May 1, 1956 up to but not exceeding 66 $\frac{2}{3}$ % of the cost of the property so acquired; or
- (ii) the acquiring by the Company or any subsidiary of property subject to any mortgage, lien, charge or encumbrance thereon at the time of such acquisition; or
- (iii) the extension, renewal or refunding of any mortgage, lien, charge or encumbrance permitted under subdivision (i) to (ii) hereof to the extent of the principal amount of the indebtedness secured by and owing under any such mortgage, lien, charge or encumbrance at the time of such extension, renewal or refunding.

Cranbrook Sawmills Ltd. is, among other things, to guarantee unconditionally payment of the principal of and premium, if any, and interest on the Bonds from time to time outstanding under the trust deed.

Definitions

The trust deed is to contain definitions, among others, substantially to the following effect:

"tangible assets" means lands, buildings, plant, equipment and all other physical assets and all current assets and all investments (including notes, mortgages, advances and other amounts receivable) and all other assets appearing on a consolidated balance sheet of the Company and its subsidiaries prepared in accordance with sound accounting practice, excluding the amount, if any, at which goodwill, trade marks, trade mark rights, trade names, trade name rights, copyrights, patents, patent rights and patent licenses and other similar intangible assets and unamortized debt discount and expense appear on the asset side of such consolidated balance sheet. The values of such assets shall be determined in the case of (i) all such assets (other than current assets and investments) owned on December 31, 1955 by the Company (ii) all such assets (except as aforesaid) acquired by the Company from Cranbrook Sash and Door Company Limited, Columbia Contracting Company Limited and George McInnes Ltd., and (iii) all such assets (except as aforesaid) owned by Cranbrook Sawmills Ltd. on December 31, 1955 by the values thereof shown in the audited pro forma consolidated balance sheet of the Company and its wholly owned subsidiary as at December 31, 1955 less subsequent depreciation, depletion and amortization and in the case of any such assets (except assets excluded as aforesaid) acquired after December 31, 1955 (except assets acquired by the Company from Cranbrook Sash and Door Company Limited, Columbia Contracting Company Limited and George McInnes Ltd.) by the Company or Cranbrook Sawmills Ltd. at the cost thereof less depreciation, depletion and amortization. In the case of any company other than Cranbrook Sawmills Ltd. which becomes a subsidiary after December 31, 1955 the value of its tangible assets (other than current assets and investments) shall in the case of the first determination of the value thereof be determined by an appraiser appointed by the directors and approved by the Trustee and thereafter the value of its tangible assets (other than current assets and investments) shall be the values thereof determined by such appraiser less subsequent depreciation, depletion and amortization and in the case of any tangible assets (except as aforesaid) acquired by such subsidiary after such appraisal the cost thereof less depreciation, depletion and amortization.

"liabilities" means current liabilities and all other liabilities of the Company and its subsidiaries other than liability for capital stock, surplus or reserves (to the extent not required to be treated as liabilities in accordance with generally accepted accounting practice) and other than liabilities in respect of the principal,

premium, if any, and sinking fund instalments, if any, in respect of any funded obligations. Contingent liabilities shall likewise be excluded except to such extent, if any, as the directors in their discretion shall determine that special provisions should be made in the accounts for meeting such contingent liabilities.

"consolidated net tangible assets" of the Company and its subsidiaries means the excess of the total of the tangible assets over the total of the liabilities of the Company and all its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice; provided always that in calculating consolidated net tangible assets due allowance shall be made for the minority interest, if any, in any subsidiary.

"consolidated current assets" means the following assets of the Company and its subsidiaries: cash in bank, on hand and with fiscal agents (but not including cash in the hands of any Trustee for sinking fund purposes); securities having a ready and publicly known market in any one of the Cities of Vancouver, Toronto and Montreal, Canada, (but not including securities of any subsidiary of the Company), such securities to be taken at cost or at the market value, whichever is the lower; good accounts, bills, notes and similar items receivable within one year from or in connection with the carrying on of the businesses of the Company and subsidiaries; prepaid interest, insurance, rents, municipal taxes and similar prepaid expenses; stock-in-trade acquired for retail resale; logs cold-decked in transit or in course of manufacture; lumber; material supplies and merchandise at cost, whether new or salvage and reusable; and such other assets as are usually regarded as current by companies conducting businesses similar to that of the Company or its subsidiaries.

"consolidated current liabilities" means the following liabilities of the Company and its subsidiaries: accounts payable, proper reserves for taxes of all kinds, bank loans and overdrafts, accrued interest and other accrued liabilities required to be treated as current in accordance with sound accounting practice; provided that no liabilities under forward commitments of purchase related to the current operations of the Company and/or its subsidiaries and that no principal or premium (if any) in respect of any funded indebtedness of the Company or its subsidiaries (which term means any obligation or evidence of indebtedness maturing more than one year from the date thereof) which may be owing, issued or guaranteed by the Company and/or its subsidiaries shall be treated as current liabilities. In the case of subsidiary companies not wholly owned there shall be taken into account for the purpose of determining consolidated net current assets, only the proportion of the net current assets of such subsidiary companies attributable to the shareholdings of the Company or any other subsidiary company in such subsidiary company.

"consolidated net current assets" shall mean the surplus of consolidated current assets over consolidated current liabilities.

"consolidated net earnings" means all gross earnings and income of the Company and its subsidiary companies from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and its subsidiary companies. Without limitation of the generality of the foregoing operating expenses shall include insurance, maintenance, repairs, renewals, rentals, licenses, taxes excluding income taxes and excess profits taxes, and all interest (except interest on funded obligations) and such reserve for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors may determine and in addition to actual expenditures for maintenance, reasonable allowance for depreciation. Provided always that the net earnings of any subsidiary company for the purposes of this definition shall only include such part of the net earnings and income of such subsidiary company as under sound accounting practice is applicable to those shares of such subsidiary company which are held by the Company or any other subsidiary company.

"subsidiary company" or "subsidiary" includes the named subsidiary (as Cranbrook Sawmills Ltd. is to be defined in the trust deed) and any corporation or company fifty-one per cent (51%) or more of the voting stock of which, whether or not forming part of the specifically mortgaged premises is owned, directly or indirectly by or held for the Company or any subsidiary thereof. "voting stock" means stock or shares of any class of any corporation or company having voting power, but shall not include stock or shares of any class having voting power by reason of the happening of any contingency, whether or not such contingency shall have happened.

"funded obligations" means any indebtedness the principal amount of which by its terms is not payable on demand and matures more than eighteen months after the date of the creation or issuance thereof and any liability (contingent or otherwise) in respect of (i) any guarantee by the Company of any such indebtedness of any person, firm or corporation other than a subsidiary and (ii) any guarantee by a subsidiary of any such indebtedness of any person, firm or corporation other than the Company.

Redemption of Series A Bonds

The Series A Bonds will be redeemable in whole at any time or in part from time to time at the option of the Company prior to maturity on thirty days' notice (i) when redeemed otherwise than out of sinking fund moneys, at the following percentages of the principal amount thereof redeemed namely: 105% if redeemed on or before March 15, 1959; 104% if redeemed thereafter and on or before March 15, 1962; 103% if redeemed thereafter and on or before March 15, 1965; 102% if redeemed thereafter and on or before March 15, 1968; 101% if redeemed thereafter and prior to maturity; (ii) when redeemed out of sinking fund moneys at the following percentages of the principal amount thereof redeemed, namely: 102½% if redeemed on or before March 15, 1959; 102% if redeemed thereafter and on or before March 15, 1962; 101½% if redeemed thereafter and on or before March 15, 1965; 101% if redeemed thereafter and on or before March 15, 1968; 100½% if redeemed thereafter and prior to maturity; together in all cases with accrued interest to date specified for redemption.

Sinking Fund for Series A Bonds

The Company will covenant in the trust deed under which the Series A Bonds will be issued to pay to the Trustee as and by way of a sinking fund for the retirement of the Series A Bonds amounts sufficient to retire \$75,000 principal amount of said Series A Bonds on March 15 in each of the years 1957 to 1970 inclusive. The Company will have the right to purchase Series A Bonds in the market or by private contract at prices not exceeding the redemption price in effect at the time of purchase in respect of Series A Bonds if redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase. All Series A Bonds purchased or redeemed (except Series A Bonds purchased or redeemed out of sinking fund moneys) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which at the election of the Company may be applied (to the extent not theretofore applied) in amounts of \$500 and multiples thereof in satisfaction in whole or in part of required sinking fund payments payable thereafter. The Company may elect on or before February 1 in each of the years 1957 to 1970 inclusive, to apply a specified amount of Series A Bonds forming such credit in satisfaction in whole or in part of the sinking fund payment required to be made on March 15 of such year and the Company will be required to pay into such sinking fund on March 15 of such year the sum in cash required to redeem on that date \$75,000 principal

amount of Series A Bonds so applied. Such cash paid to the Trustee is to be applied in the retirement of Series A Bonds by call for redemption on March 15 of such year at the current sinking fund redemption price; provided that such call need not be made if the moneys in the sinking fund and required to be paid into the sinking fund in such year are less than \$10,000 and in such case such moneys may be used by the Trustee in purchasing for cancellation Series A Bonds at a price not exceeding the redemption price current at the time of purchase in respect of Series A Bonds redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase.

Share Purchase Warrants Relating To Series A Bonds

The Series A Bonds when originally issued in definitive form will carry Share Purchase Warrants entitling the holders thereof, at any time from and after July 15, 1956 and up to and including March 15, 1962 to purchase common shares in the capital stock of the Company at the rate of 10 such common shares for each \$500 principal amount of Series A Bonds at a price of \$6.00 per share up to and including March 15, 1959 and thereafter at \$7.50 per share. Share Purchase Warrants may not be detached from the Series A Bonds until July 15, 1956 and will expire at 4:00 o'clock in the afternoon, Eastern Standard Time, on March 15, 1962.

Each Share Purchase Warrant will contain provisions for adjustment in the number of shares issuable pursuant to the privilege attaching to the Share Purchase Warrants in the event of any consolidation, subdivision or reclassification of, or any stock dividend being paid on, the common shares of the Company. In addition the Company will covenant to give at least 30 days' notice by public advertisement before issuing to its common shareholders pro rata rights to subscribe for additional shares, making any repayment of capital on its common shares, consolidating or merging with any other company, or selling or leasing a substantial part of its undertaking.

Share Purchase Warrants Relating To Preferred Shares

The 16,000 preferred shares when originally issued in definitive form will carry Share Purchase Warrants entitling the holders thereof, at any time from and after July 15, 1956 and up to and including March 15, 1962, to purchase common shares in the capital stock of the Company at the rate of 2 such common shares for each preferred share at a price of \$6.00 per share up to and including March 15, 1959 and thereafter at \$7.50 per share. Share Purchase Warrants may not be detached from the preferred shares until July 15, 1956 and will expire at 4:00 o'clock in the afternoon, Eastern Standard Time on March 15, 1962.

Each Share Purchase Warrant will contain provisions for adjustment in the number of shares issuable pursuant to the privilege attaching to the Share Purchase Warrants in the event of any consolidation, subdivision or reclassification of, or any stock dividend being paid on, the common shares of the Company. In addition the Company will covenant to give at least 30 days' notice by public advertisement before issuing to its common shareholders pro rata rights to subscribe for additional shares, making any repayment of capital on its common shares, consolidating or merging with any other company, or selling or leasing a substantial part of its undertaking.

(l) The Company is to issue to the underwriters of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares, Share Purchase Warrants entitling the holders thereof to purchase an aggregate of 30,000 common shares in the capital of the Company on the same terms and conditions as to price and otherwise as are expressed in the Share Purchase Warrants to be issued with the Series A Bonds and the 16,000 preferred shares.

Except to the extent that said Share Purchase Warrants and the Share Purchase Warrants being issued with the Series A Bonds and the 16,000 preferred shares will entitle the bearers thereof to purchase common shares in the capital of the Company, no securities of the Company are covered by outstanding options given by the Company or options proposed to be given by the Company.

(m) The estimated net proceeds to be derived from the sale of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares on the basis of the same being fully taken up and paid for are \$2,691,500 after taking into account (i) the commission aggregating \$40,000 payable by the Company to the underwriters on the purchase by them of the 16,000 preferred shares and (ii) incidental expenses to the Company for legal, engineering, appraisal, auditing and miscellaneous matters in connection with the issue of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares, which expenses are estimated at approximately \$75,000.

(n) The net proceeds of the sale of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares will be used to provide funds to purchase the assets of Cranbrook Sash and Door Company Limited, Columbia Contracting Company Limited and George McInnes Ltd. all as more particularly set out in paragraph (u) and (v) hereof to which reference is expressly made and the balance of such net proceeds will be used for general corporate purposes.

(o) No minimum amount in the opinion of the directors must be raised by the issue of the said 16,000 preferred shares and the said 210,000 common shares to provide the sums required or the balance of the sums required to pay the purchase price of the property referred to in paragraph (u) and (v) hereof or of any other property, to meet preliminary expenses or commissions payable by the Company, to repay moneys borrowed by the Company in respect of the foregoing matters or to repay bank loans.

(p) The Company, by agreement dated April 3, 1956, agreed with Walwyn, Fisher & Co. and Hall Securities Limited, acting as underwriters on their own behalf, to sell to such underwriters and such underwriters have agreed severally and not jointly to purchase the \$1,100,000 principal amount of Series A Bonds for a total purchase price of \$1,061,500 and accrued interest, the 16,000 preferred shares for a total purchase price of \$800,000 and the 210,000 common shares and Share Purchase Warrants entitling the holders thereof to purchase an aggregate of 30,000 common shares for a total purchase price of \$945,000 in each case payable in cash against delivery of said Series A Bonds, certificates representing the 16,000 preferred shares and certificates representing the said 210,000 common shares on or about April 24, 1956, subject to compliance with the necessary legal formalities and to the terms and conditions stated in such agreement. Under said agreement the Company has agreed to pay Walwyn, Fisher & Co. and Hall Securities Limited a commission of \$2.50 per share on the purchase of the said 16,000 preferred shares.

(q) The articles of association of the Company contain the following provision as to the remuneration of the directors: "The remuneration of the Directors shall from time to time be determined by ordinary resolution whether previous notice thereof has been given or not."

(r) No remuneration has been paid by the Company to the directors or officers of the Company as such since the date of its incorporation to the date hereof. It is presently anticipated that no remuneration will be paid during the current financial year to directors of the Company as such. The aggregate remuneration to be payable during the current financial year to officers of the Company as such who individually may be entitled to receive remuneration in excess of \$10,000 per annum is \$24,000.

(s) No commission has been paid within the two years preceding the date hereof or is now payable by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company except as referred to in paragraph (p) hereof. Reference is also made to the discount on the sale by the Company of the Series A Bonds as set out in paragraph (p) hereof and to the spread between the price paid by the underwriters on the purchase by them of the 210,000 common shares and the price at which said common shares are being offered to the public.

(t) The estimated amount of preliminary expenses is \$75,000.

(u) and (v) The Company proposes to acquire (i) all the undertaking, property and assets of Cranbrook Sash and Door Company Limited, Cranbrook, B.C., except the issued shares owned by Cranbrook Sash and Door Company Limited in the capital of Columbia Contracting Company Limited and George McInnes Ltd., as a going concern from the close of business on December 31, 1955 for a purchase price of \$1,608,365.09 payable \$1,398,721.94 in cash and \$209,643.15 by the assumption of certain liabilities of Cranbrook Sash and Door Company Limited, (ii) all the undertaking, property and assets of George McInnes Ltd., Cranbrook, B.C., as a going concern from the close of business on December 31, 1955 for a purchase price of \$341,380.66 payable \$63,166.77 in cash, \$78,213.89 by the assumption by the Company of certain liabilities of George McInnes Ltd. and the balance by the allotment and issue to George McInnes Ltd. of 40,000 fully paid common shares in the capital of the Company, and (iii) all the undertaking, property and assets of Columbia Contracting Company Limited, Cranbrook, B.C., as a going concern from the close of business on December 31, 1955 at a purchase price of \$1,023,136.55 payable \$968,971.78 in cash and \$54,164.77 by the assumption by the Company of certain liabilities of Columbia Contracting Company Limited.

The Company proposes to defray the amount of the aforesaid purchase prices which is payable in cash, namely \$2,430,860.49, out of the proceeds to the Company of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares.

By agreement dated February 27, 1956 the Company has agreed to purchase from Donald Lester Burns, Creston, B.C., Alfred Oli Farstad, Creston, B.C., Frederick William Barr, Parson, B.C., George Trueman Jewell, Cranbrook, B.C., Frank Hedley Putnam, Creston, B.C., Berridge Neville-Smith, Creston, B.C., and Chas. O. Rodgers Ltd. (in liquidation), Creston, B.C., all the issued and outstanding shares of Cranbrook Sawmills Ltd. for a price of \$721,875.00 to be satisfied by the allotment and issue of an aggregate of 144,375 fully paid common shares in the capital of the Company as follows:

Donald Lester Burns.....	29,018
Alfred Oli Farstad.....	30,678
Frederick William Barr.....	24,122
Frank Hedley Putnam.....	22,656
Berridge Neville-Smith.....	3,125
Chas. O. Rodgers Ltd. (in liquidation).....	34,375
George Trueman Jewell.....	401

Except as aforesaid and except for transactions to be entered into in the ordinary course of operations or on the general credit of the Company no property has been purchased or acquired or is proposed to be purchased or acquired by the Company the purchase price of which has been paid within the two years preceding the date hereof or is to be paid in whole or in part in securities of the Company or from the proceeds of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares or the purchase or acquisition of which has not been completed at the date of this prospectus.

(w) Within the two years preceding the date hereof no securities have been issued or agreed to be issued as fully or partly paid up otherwise than in cash except as stated in paragraph (u) and (v) hereof.

(x) No services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares except services in the ordinary course of the business of the Company and except legal, engineering, appraisal, auditing and other services in connection with the issue of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares. No services have been rendered to the Company within the two years preceding the date hereof which have been or are to be paid for by securities of the Company.

(y) Nothing has been paid by the Company within the two years preceding the date hereof or is intended to be paid by the Company to any promoter.

(z) The Company has not entered into any material contracts within the two years preceding the date hereof except (i) the underwriting agreement dated April 3, 1956 with Walwyn, Fisher & Co. and Hall Securities Limited, the details of which are set out in paragraph (p) hereof and (ii) an agreement dated February 27, 1956 with the shareholders of Cranbrook Sawmills Ltd., the details and effects of which are set forth in paragraph (u) and (v) hereof. Copies of the two agreements referred to above may be inspected during usual business hours at the head office of the Company during the period of primary distribution to the public of the Series A Bonds, the preferred shares and the common shares. The Company proposes prior to the date of the delivery of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares to enter into (i) an agreement with Cranbrook Sash and Door Company Limited, (ii) an agreement with Columbia Contracting Company Limited and (iii) an agreement with George McInnes Ltd., the details and effect of each of which are set forth in paragraph (u) and (v) hereof. Copies of the three last mentioned agreements may be inspected after the same have been entered into during usual business hours at the head office of the Company during the period of primary distribution to the public of the Series A Bonds, the preferred shares and the common shares.

(za) Carl Inman Hall, one of the directors of the Company, is a director and a substantial shareholder of Hall Company Limited. Hall Company Limited and Kelowna Fuel Co. Ltd., each has an option to acquire 50% of the issued and outstanding shares of Cranbrook Sash and Door Company Limited. Hall Company Limited and Kelowna Fuel Co. Ltd. propose to exercise said options and upon the exercise of said options to cause Cranbrook Sash and Door Company Limited and its wholly owned subsidiaries Columbia Contracting Company Limited and George McInnes Ltd. to enter into agreements with the Company to sell their respective undertaking, properties and assets as going concerns to the Company as described in paragraph (u) and (v) hereof.

Carl Inman Hall is also a director and a substantial shareholder of Hall Securities Limited, one of the underwriters of the Series A Bonds, the 16,000 preferred shares and the 210,000 common shares.

Ernest Alfred Campbell of Campbell, Shankland & Co., the Company's auditors, has a one-third interest in Kelowna Fuel Co. Ltd.

Alfred Oli Farstad, one of the directors of the Company, is one of the vendors to the Company of shares of Cranbrook Sawmills Ltd. and as such vendor will receive 30,678 common shares of the Company.

Victor Carlyle Brown, one of the directors of the Company, is a director, minor shareholder, and manager of Cranbrook Sash and Door Company, Limited, Columbia Contracting Limited and George McInnes Ltd.

(zb) The Company was incorporated on November 22, 1955 and since that time has not been carrying on active business except to negotiate the purchase of the assets and shares referred to in paragraphs (u) and (v) hereof. Each of Cranbrook Sash and Door Company Limited, Columbia Contracting Company Limited, George McInnes Ltd. and Cranbrook Sawmills Ltd. have been carrying on business for more than three years prior to the date hereof.

(zc) By agreement dated February 27, 1956, the following persons or corporations namely, Hall Company Limited, E. A. Campbell, A. O. Farstad, D. L. Burns, Frank H. Putnam, F. W. Barr, George T. Jewell, B. Neville-Smith, Chas. O. Rodgers Ltd. (in liquidation) and J. M. Brown Jr. agreed with Hall Securities Limited forthwith upon the issue to them of certificates representing common shares in the Company acquired by them, otherwise than through purchase upon the open market, to deposit such certificates with Montreal Trust Company, Vancouver, B.C. The said agreement further provides that if said depositors desire to sell any of their common shares so deposited they shall notify Hall Securities Limited in writing and Hall Securities Limited in its absolute discretion shall sell such shares at such prices and at such times as it shall deem desirable. The depositing shareholders have also agreed by said agreement that they will not, prior to April 1, 1961, offer any of their deposited shares for sale in a block without first having offered such shares by writing to Hall Securities Limited at the price for which they are willing or desire to sell the same for a period of thirty days. Said agreement further provides that all depositing shareholders other than J. M. Brown Jr., will deliver to Carl Inman Hall an irrevocable instrument of proxy enabling said Carl Inman Hall to vote all their deposited shares at all meetings of the Company which may be held prior to April 1, 1961. The said agreement is to remain in full force and effect until April 1, 1957 subject to earlier termination by Hall Securities Limited but no termination of said agreement will affect the irrevocable proxies given by the depositing shareholders as aforesaid.

A maximum of 234,375 common shares may be deposited pursuant to said agreement of which a maximum of 50,000 may be deposited by J. M. Brown Jr.

Except to the extent that the said agreement when implemented will constitute an escrow, no securities of the Company are held in escrow.

(zd) The provisions of the agreement referred to in paragraph (zc) hereof when implemented may enable Carl Inman Hall by reason of the proxies to be given to him pursuant to said agreement to elect or cause to be elected a majority of the directors of the Company.

(ze) No dividends have been paid by the Company.

Dated this 12th day of April, 1956.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 13 of the Security Frauds Prevention Act (New Brunswick) and under an Act respecting securities (3-4 Elizabeth II, chap. 11, Statutes of Quebec), and by Section 39 of The Securities Act, 1954 (Saskatchewan), and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Directors

(Signed) J. M. BROWN JR.

(Signed) ALFRED OLI FARSTAD
by his agent, C. I. HALL

(Signed) VICTOR CARLYLE BROWN
by his agent, C. I. HALL

(Signed) C. I. HALL

(Signed) CHESTER CHASTEK
by his agent, C. I. HALL

(Signed) G. W. O'BRIEN

(Signed) P. E. COOPER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 13 of the Security Frauds Prevention Act (New Brunswick) and under an Act respecting securities (3-4 Elizabeth II, chap. 11, Statutes of Quebec), and by Section 39 of The Securities Act, 1954 (Saskatchewan), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

Underwriters

HALL SECURITIES LIMITED

per (Signed) C. I. HALL

WALWYN, FISHER & Co.

per (Signed) J. P. WALWYN

The following are the names of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Hall Securities Limited: Carl Inman Hall and Frank Elmer Hall.

The following are the names of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Walwyn, Fisher & Co.: J. P. Walwyn and S. B. Heath.

